

## **Report to CABINET**

# **Empty Homes**

### **Portfolio Holder:**

Councillor Hannah Roberts, Cabinet Member for Housing and Planning

### **Officer Contact:**

Helen Lockwood, Deputy Chief Executive, People and Place

### **Report author:**

Albert Margai, Principal Housing Market Intervention Officer  
Ext. 6583

**22<sup>nd</sup> October 2018**

---

---

## **Reason for Decision**

This report seeks approval for the introduction of a robust empty homes intervention to bring empty properties across the borough back into use. Approval would pave the way for Oldham to secure full investment for a pilot initiative from the Housing Revenue Account (HRA) and Homes England. This funding would underpin a holistic intervention package to support on-going work with empty home owners.

## **Executive Summary**

The current housing shortage across the Country has placed an obligation on Local Authorities across the Country to find innovative solutions to the current problem. Bringing empty homes back into use is one initiative as part of a wider strategy.

The housing market in Oldham has come under pressure from growing demand and high level of transience in central areas of the town. With growing demand for affordable housing and community challenges, an empty homes initiative could help deliver an innovative housing solution. The proposed solution forms a wider intervention package to deliver a wide range of benefits across the service and support key priorities and ambitions of Oldham Council.

## **Recommendations**

1. Approve the use of HRA funding along with gap funding from Homes England to provide investment for a pilot intervention initiative to bring 20 empty properties back into use in Oldham

- 
2. Approve the development of a lease management option to help administer the initiative by overseeing day to day property management, including repairs and maintenance
  3. Approve the development of an Empty Dwelling Management Order (EDMO) policy to provide the “stick” to a ‘carrot and stick’ approach
  4. Approve Delegated Authority to the Cabinet Member for Housing and Planning in consultation with the Deputy Chief Executive, People and Place to review the pilot project’s outcomes and grant approval to deliver an ongoing intervention
-

**Empty Homes****1 Background**

- 1.1 Historically, the number of empty of properties in Oldham has been amongst the highest in the north-west region. From 2004 to 2016 Oldham reduced its percentage of empty homes from 2.6% to 1.3% of its housing stock (MHCLG live tables 2016), however despite this progress, Oldham recorded the joint highest number of empty properties among Greater Manchester (GM) boroughs in 2016. Furthermore, the Empty Homes Charity, Empty Homes in England 2018 report revealed the North West (1.21%) had the second highest percentage of long-term empty homes (vacant for at least 6 months) amongst all regions.

**2 Current Position**

- 2.1 The number of long-term empty homes (empty for more than six months) in Oldham currently stands at 1,129 (June 2018) showing an improvement of 69 properties brought back into use over the previous 12 months (June 2017 – 1,198).
- 2.2 Not all empty homes blight neighbourhoods, it is largely those that are neglected and unmaintained by owners which tend to cause a nuisance to neighbouring and adjoining properties. Considering Oldham's housing stock is comprised of dated pre 1919 terraced properties, default works under Section 80 of the Environmental Protection Act 1990 can be significant. Conditions such as dry rot and wet rot can pose a threat to adjoining properties and can be expensive for empty home owners to rectify, thus requiring the Council to take action under Section 80 of the 1990 Act for example. In most cases the Council would recover the costs by applying a land charge on the property following completion of the works and seek to recover the costs through an Enforced Sales Procedure (ESP) under Section 103 of the Law and Property Act 1925. Where the criteria are met, executing this process can be very time consuming and resource intensive. The use of ESP provides the means for the Council to recover costs resulting from default works undertaken; when an empty home owner fails to act upon a legal notice.
- 2.3 The Neighbourhoods, Public Protection Team are tasked with engaging and encouraging empty home owners to bring their properties back into use, as well as taking necessary action to ensure public safety. In the first instance the team would seek to establish contact with an empty home owner via a letter through the post to ascertain the intentions of the owner. This will closely be followed by a visit to conduct an external assessment of the property's condition; rule out any risks to public or community safety and once again deliver a letter by hand. This visit would largely determine the best course of action; between serving a legal notice or encouragement. Currently, the Council has a very robust enforcement process to ensure public safety however the encouragement tools could benefit from additional resources and incentives.
- 2.4 The empty homes list which is generated from Council Tax records, contains all long-term empty properties which are non-exempt, and therefore subject to full Council Tax liability at the Council's discretion. Exempt properties are not required to pay full Council Tax instead only a portion or in some cases full exemption for a period of time. These range from charity and housing association buildings to properties up for sale, properties where the owner is in care or administering care elsewhere. Furthermore, since 1 April 2013 local authorities can apply a maximum 150% Council Tax premium on properties empty for minimum 2 years; an example of the
-

---

Government's commitment towards reducing the number of empty homes, and increasing supply across the country. In a further move to repair the housing market, in July 2018 Parliament announced an amendment to the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill that enable Council Tax to charge up to 300% premiums by 2021.

### **3 Current Challenges**

- 3.1 Enforcement action alone is not always the most effective course of action when tackling empty properties, wider benefits can be achieved if a more holistic approach is adopted. A number of Greater Manchester boroughs have applied this method of approach by offering financial incentives in the form of grants and loans to encourage empty home owners to bring their properties back into use. This is reinforced by their robust enforcement procedures which they can call upon when required. Developing this method of approach would provide additional support for colleagues in Neighbourhoods, Public Protection Team to overcome barriers that arise from limited options. It will also enable Oldham to make better use of its housing stock, reduce community issues and support Oldham in reaching its affordable housing targets.

#### **Community Challenges**

- 3.2 Empty properties can be displeasing to the eye but, also act as a catalyst for activities and behaviours that may impact negatively on a neighbourhood. Colleagues in the Emerging Communities team have highlighted properties which have been boarded up multiple times by the Council because of community issues, placing unwanted and unnecessary pressure on Council resources. Reducing the number of empty homes could result in fewer community challenges, and impact positively on Oldham Council's resources that are deployed as solutions.

#### **Homelessness Pressures**

- 3.3 Legislative pressures placed on local authorities have seen an increase in homeless persons accessing Oldham Housing Advice Service (OHAS). Inevitably, this has led to additional demand for temporary accommodation.

### **4 Options/Alternatives**

- 4.1 The 4 options available to the Council are as follows:

4.2 **Option 1 – Approve all of the recommendations and support a pilot intervention project.**

- 4.3 Approval of this option would enable the creation of a range of products that would form an empty homes intervention package. The package would operate on the basis of a 'carrot and stick' approach, providing the means for Oldham Council to engage and encourage owners to bring their properties back into use. At the outset the intervention will be aimed at empty properties identified from Council Tax records to ensure action is taken to reduce the recorded number of long-term empty homes. However, both initiatives would not be restricted to this criteria, as available grant funding allows for action to be taken on all empty properties, irrespective of the length of time the property has been empty for. The pilot project would adopt this approach where it is necessary, to ensure a meaningful intervention.

- 4.4 The initial 'carrot' would be offered through two forms of investment; a Purchase and Repair (P&R) option and a Lease and Repair (L&R) option. The two methods of intervention are motivated by available grant funding from Homes England's Shared
-

Ownership and Affordable Homes Programme 2016-2021 (SOAHP). The programme invites local authorities to bid for funding to support initiatives designed to bring all empty properties (including those empty less than six months) back into use via a P&R model or L&R model. The SOAHP's funding method is to finance the shortfall between the full investment required for an intervention and the amount the local authority is able to borrow or fund directly. Essentially, the aim is to support local authorities gain full return on investment and minimise some of the potential risks associated with the two intervention models.

### **Housing Revenue Account Funding**

- 4.5 In respect of the pilot project, Oldham Council would front fund a portion of the project directly from the HRA. The HRA would not fund the full investment, but a portion of it, with the remaining sum grant funded from the SOAHP; subject to a successful application. The project aims to ensure full repayment to the HRA over the course of reasonable payback periods on each model of intervention. For both models the maximum funding attainable from the HRA is calculated against the level of income from affordable rent collection over the respective periods.

### **Purchase and Repair Model**

- 4.6 Through the P&R model Oldham Council would exercise powers under the Housing Act 1985 by acquiring houses for the provision of accommodation for customers in housing need. On completion of acquiring properties from the open market the units would be absorbed by the HRA and effectively become part of Oldham's social housing stock. All property purchases would be completed in consultation with Legal Services, to ensure transparent sales with fit and proper vendors that are not associated with the Council. Once acquired, properties will undergo a refurbishment and brought to a Decent Homes standard. In accordance with the Housing Act 1985, the purchased and refurbished properties would be subject to social housing rent and Right to Buy (RTB) scheme, including the discount as per legislation.
- 4.7 The acquired P&R properties would only be available via Choice Based Lettings (CBL) or Direct Offers in accordance with Oldham Council's Allocations Policy. Reclassifying the properties as social housing stock would enable the Council to meet its housing duty under sec.193 (2) of the Housing Act 1996. With the unprecedented shortage supply of social housing, the P&R offers a swift and timely solution to Oldham Council and households on the Housing Register.
- 4.8 The SWOT analysis below captures the potential benefits and caveats of P&R model.

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Addressing the shortage of social housing by purchasing additional HRA stock</li> <li>• Making use of existing housing stock would minimise planning and regeneration activities</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Unwillingness by empty home owners to sell their properties</li> <li>• Increasing HRA stock would decrease the amount of available private rented stock</li> <li>• Management of dispersed stock</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Increase the number of family sized accommodation in Oldham Council</li> <li>• Increase social housing tenures and provide more secured housing</li> </ul>

	<ul style="list-style-type: none"> <li>• Offer aspirational housing for tenants eligible for RTB</li> <li>• Create social housing in areas where tenants find it difficult to achieve home ownership i.e. mixed tenure neighbourhoods</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>• RTB implications</li> </ul>

Fig 4.

#### 4.9 Lease and Repair Model

The L&R model is essentially a voluntary leasing scheme, with the prime objective being, to acquire leases from empty property owners. As well as receiving an acquisition fee an empty home owner would also receive full refurbishment of their property. Upon completion of the lease the property would be assigned to a management company, procured in accordance with the Council's procurement guidelines, as a delivery partner to take on property management functions. Some of benefits and caveats are captured in the below SWOT:

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Increase housing supply and reduce number of empty properties in borough</li> <li>• Creation of more temporary accommodation</li> <li>• Meeting housing demands under the Homelessness Reduction Act 2017</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Would owners commit to lease term</li> <li>• Restrictions on types of tenancies the Council can issue</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Potential to increase temporary accommodation at more competitive rate would reduce budgeting pressures and create additional supply</li> <li>• Change negative perception owners and landlords may have towards low income households. Potential for owners to offer fixed term tenancies at the expiration of initial lease agreement</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>• Owners may choose to go separate ways after lease term</li> <li>• Owners may get disgruntled by not receiving rent for duration of lease despite initial acquisition fee</li> <li>• Inadequacy of management delivery partner could cause reputational damage for the Council</li> <li>• Low equity</li> <li>• Mortgage default</li> <li>• Lender permission</li> </ul>

Fig 5.

4.10 As identified in the above SWOT as a potential threat, a lack of rent received by owners may have a negative effect on owners in later years. The inclusion of a financial arrangement that offers a portion of the lease acquisition cost upfront as a lump sum fee, with subsequent monthly instalments over the course the lease term would be more engaging to empty home owners. More importantly, this financial arrangement would remain within budget whilst offering owners regular income. Applying this type of flexibility would keep owners engaged through a continuous award of income with no management commitments.

4.14 Depending on the named Lessee on the agreement acquired from the owner the L&R model offers additional flexibility for Oldham to house its applicants under a variety of tenures, in contrast to the P&R model. As a LA Oldham can only offer secure or introductory tenancies to social housing tenants; otherwise known as

---

lifetime tenancies. If Oldham is to become a Lessee, it would only be permitted to offer Licence Agreements to its tenants, and under the Housing Act 1996 Part 6 and 7 a LA cannot discharge its housing duty under a Licence Agreement. However, this restriction does not extend to registered housing providers who are able to offer a variety of tenancies, including assured shorthold tenancy (AST) agreements. Therefore, with a suitable delivery partner in place Oldham can assign the Lessee's responsibilities to the management company and use their capability to offer AST agreements to applicants in housing need.

- 4.15 The rent charged on L&R model will be in line with Local Housing Allowance (LHA) rate, introduced by the Welfare Reform Act 2012. The LHA is considered to be an affordable rate in the private sector and would support the Council in reducing the waiting time for housing experienced by applicants. Under the Homelessness Reduction Act (HRA) 2017, the Council can relieve homelessness with properties supplied via the L&R model.

### **EDMO**

- 4.16 Empty Dwelling Management Orders (EDMOs) under the Housing Act 2004 are effectively enforced leasing, applicable to long term empty properties (empty for a minimum of 6 months). There are two levels of EDMO:
- Interim EDMO – this last for a maximum of 12 months from the date the order is made. To gain an interim EDMO a local authority must seek authorisation from the Residential Property Tribunal (RPT). Once authorisation is granted the local authority may make the interim EDMO
  - Final EDMO – can be made at any time within the 12 months of an interim EDMO. Unlike the interim EDMO a LA is not required to seek authorisation from the RPT. The local authority simply serves the final EDMO on the owner(s) of the property. Once made the final EDMO can last up to 7 years.
- 4.17 An EDMO policy would supplement the package by serving as the 'stick' which supports the P&R and L&R options. It is not anticipated that an EDMO would be used abundantly, as this has not proven to be case amongst other LA's. However, it forms a vital component of an empty homes intervention package.

### **Delivery Partner**

- 4.18 The pilot project for both models is heavily dependent on the procurement of a suitable delivery partner. It is anticipated organisations would be invited to tender via the Chest for the opportunity to partner with Oldham Council on the pilot project. The project would require strong partnership working and would therefore invite partners to tender and work cooperatively to deliver a successful pilot project.

### **New Homes Bonus**

- 4.19 A holistic empty homes package would help the Council capitalise on the New Homes Bonus (NHB). The NHB scheme introduced by the Government in 2011 as added incentive for LA's to bring empty homes back into use, rewards Councils for delivering new homes; including those which were previously long term empty. The Government initially matched the Council Tax raised from each new home delivered for 6 years however, recent amendments to the NHB scheme in 2017 have reduced the amount of years LA's can capitalise on the incentives. From 2017-2018 NHB payment will be made for 5 years along with a further reduction to 4 years from 2018-2019. In addition to the environmental benefits, through the NHB payments Oldham
-



Council would be taking advantage of the economic benefits perpetuating from bringing long term empty homes back into use.

**4.20 Option 2 – Do not approve both interventions instead, only approve a P&R option and delay the development of an EDMO Policy**

4.21 This option would fail to capitalise on the opportunity to engage holistically with empty home owners. By neglecting to include a L&R option as part of a pilot, the opportunity to take advantage of the full options available via the SOAPH would be missed.

**4.22 Option 3 – Do not approve both interventions instead, only approve a L&R option and delay the development of an EDMO Policy**

4.23 This option would fail to capitalise on the opportunity to engage holistically with empty home owners in Oldham. The opportunity to take advantage of the full options available through the SOAPH would be missed, as well as a speedier method of increasing the supply of social housing in Oldham.

**4.24 Option 4 – Do nothing**

4.25 This option maintains status quo, at a time when housing supply is failing to meet the growing demand. With homelessness at a record high across Oldham and Greater Manchester, and Oldham's forecasted increase in population (shown below in fig 4.) selecting this option would not provide the required solutions.

Age Band	2014	2019	2024	2034	% increase 2014-2034
0-15	51,449	52,572	52,680	51,491	+ 0.08
16-64	141,309	142,336	143,858	143,792	+ 1.76
65+	36,007	39,109	42,380	51,284	+41.99
<b>Overall</b>	<b>228,765</b>	<b>233,835</b>	<b>238,729</b>	<b>246,411</b>	<b>+ 7.71</b>

Fig 7.

**5 Preferred Option**

**5.1 The preferred option is option 1.**

5.2 The preferred option would act on the aforementioned recommendation and deliver a holistic pilot empty homes intervention. The pilot project will complement the recently introduced Private Sector Bond Offer, ensure a collective engagement of Oldham's growing private sector and seek to deliver the below outcomes and benefits.

**5.3 Specified outcomes**

- Housing supply
- Reduction in blighting properties
- Reduce eyesore/poor image of the borough to visitors and investors
- Improved engagement with landlords/owners

**5.4 Assumed Benefits**

- Attract new residents to the borough through an improved housing offer
- Increase housing prices
- Reduce pressures on community



- Improve service efficiencies

## 6 Financial Implications

These are considered in the report in the restricted part of this agenda.

## 7 Consultation

7.1 Consultation has taken place with key stakeholders as listed below. It is essential to the project's success that consultation with these groups will continue in some capacity moving forward.

- Neighbourhoods, Public Protection Team
- Community Development/Emerging Communities Teams
- Local residents

Local residents in particular were keen to see some action taken against empty properties emerging in the neighbourhoods. Residents of Clarksfield described empty properties as unsightly and unpleasant. Some residents expressed their reluctance to invite friends and family to visit because they are ashamed and lack pride in their neighbourhood. Frustration also stemmed from home owners who had lost equity in their property and no longer have the flexibility they once had, hence, the option of moving elsewhere is no longer viable.

## 8 Legal Services Comments

8.1 Support Option 1 – Approve all of the recommendations and support a pilot intervention project. This seems a proactive approach at tackling the high level of empty properties in the borough and provide a useful tool for reducing homelessness in line with our current obligations. Management companies and tradesmen to be used in connection with the properties should be procured in the correct manner with a consideration for both best value and quality of service.

The use of the HRA for this purpose would be permissible under legislation, for example, S.9 of the Housing Act 1985 provides that a local authority may for the provision of providing housing accommodation, acquire houses, and they may alter, enlarge, repair or improve a house erected, converted or acquired. (Alex Bougatef)

## 9 Cooperative Agenda

9.1 In seeking to uphold Oldham's mantra as a Cooperative Borough, the pilot intervention would champion the keys themes outlined in the Oldham Plan 2017-2022; see below:

<b>Corporate Values</b>	<b>Connection with Project Outcomes</b>
Inclusive Economy	<ul style="list-style-type: none"> <li>• Investment in our residential offer to the borough</li> <li>• Improving communities to encourage new residents and visitors</li> </ul>
Co-operative Services	<ul style="list-style-type: none"> <li>• Closely working with establish partners initiatives as well as entering and creating new ones</li> <li>• Strategically target areas in need of intervention</li> </ul>
Thriving Communities	<ul style="list-style-type: none"> <li>• Community involvement in delivery outcomes</li> </ul>

	<ul style="list-style-type: none"> <li>• Provide housing solutions to tackle the associated challenges</li> <li>• Provide fast action grants to boost community outputs and local services</li> </ul>
--	---

**10 HR Implications**

None

**11 Risk Assessment**

11.1 The report sets out how the Council can reduce empty properties utilising its own resources and government grant. Should the initiatives not be successful then there is a risk the housing revenue account will not be repaid in full for its investment. (Mark Stenson)

**12 IT Implications**

None

**13 Property Implications**

As contained in the body of the report.

**14 Procurement Implications**

14.1 Procurement will work with colleagues from Economy, Skills and Neighbourhoods to develop a strategy that will be attractive to the local market. There will then be a local supplier engagement exercise to warm the market up to ensure we maximise the social benefits from this project. (Steve Boyd)

**15 Environmental Health and Safety Implications**

None

**16 Equality and Community Cohesion and Crime Implications**

None

**17 Equality and Diversity Impact Assessment**

Yes

**18 Key Decision**

Yes

**19 Key Decision Reference**

HSG-03-18

**20 Background Papers**

No